

Message Text

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ACTION EUR-12

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INFO AMEMBASSY BONN
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AMEMBASSY COPENHAGEN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA

UNCLAS DUBLIN 01633

BRUSSELS ALSO FOR USEC, GENEVA FOR MTN

PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJECT: IRISH REACTION TO 1978/79 EC PRICE PACKAGE

1. SUMMARY. NOTWITHSTANDING SOME CONSUMER PROTEST AND THE RITUAL GRUMBLINGS OF "NOT ENOUGH" FROM FARMER ORGANIZATIONS, REACTION TO SUBJECT AGREEMENT WAS GENERALLY FAVORABLE. THE MOST IMPORTANT FEATURE FROM IRISH FARMERS' POINT OF VIEW WAS THE 6 PERCENT DEVALUATION OF THE IRISH GREEN POUND, WHICH RAISES IRISH EXPORT PRICES AND IMPROVES THE COMPETITIVE POSITION OF IRISH AGRICULTURAL EXPORTS. THE CUMULATIVE EFFECT OF EC PRICE RISES AND GREEN POUND
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DEVALUATION ON IRISH FARM PRICES IS IN THE REGION OF 9 PERCENT, WITH AN ESTIMATED RISE IN THE COST OF LIVING OF ABOUT 1 PERCENT.
END SUMMARY.

2. AGRICULTURE MINISTER JAMES GIBBONS EXPRESSED HIMSELF WELL PLEASED WITH SUBJECT AGREEMENT, AND WITH A FEW MINOR RESERVATIONS FARMER ORGANIZATIONS AGREE. MOST OBSERVERS SEE PACKAGE BEST THAT

AGRICULTURAL INDUSTRY COULD HAVE HOPED FOR. CONSUMERS WERE LESS ENTHUSIASTIC, THE SPOKESWOMAN FOR THE CONSUMER'S ASSOCIATION BEING REPORTED AS SAYING "WHAT WAS NEEDED WAS A FOOD POLICY RATHER THAN A COMMON AGRICULTURAL POLICY". HOWEVER THE CONSUMER MOVEMENT IN IRELAND, WHILE GROWING, IS STILL A RELATIVELY SMALL LOBBY.

3. GIBBONS SEES TOTAL EFFECT FOR IRELAND OF AGREEMENT AS A 9 PERCENT INCREASE IN FARMERS' PRICES, WITH AN IMPROVEMENT TO THE COUNTRY'S BALANCE OF PAYMENTS OF ABOUT \$125 MILLION. HE ESTIMATES OVERALL EFFECT ON COST OF LIVING AT 1 PERCENT.

4. THE MOST IMPORTANT FEATURE FOR IRELAND IS THE IRISH GREEN POUND DEVALUATION WHICH, GIBBONS SAID, REDUCES IRISH MCA CHARGES ON EXPORTS BY ABOUT 6.8 PERCENT. THE NEW RATE IS SET AT 1 POUND EQUALS 1.27079 U.A.

WHICH, ACCORDING TO GIBBONS, BRINGS MCA'S DOWN TO ABOUT 2.8 PERCENT. ALSO, THE CO-EFFICIENT USED FOR CALCULATING THE MCA ON BONELESS BEEF IS INCREASED OFFSETTING THE ADVANTAGE OF CARCASS BEEF IN EXPORTS, PARTICULARLY TO THE U.K. AND ENCOURAGING FURTHER PROCESSING AT HOME. THESE MONETARY CHANGES ARE EXPECTED TO BENEFIT IRISH BEEF EXPORTS TO THE U.K. AND TO A LESSER EXTENT TO FRANCE, BUT SLIGHTLY HINDER BEEF EXPORTS TO WEST GERMANY.

5. IN ADDITION, THE CONSUMER LOBBY IS SOMEWHAT PLACATED BY THE VARIOUS BUTTER SUBSIDY SCHEMES ENVISAGED BY THE COMMISSION.

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6. ANOTHER ASPECT THAT WAS CAUSING CONCERN HERE WAS THE COMMISSION'S PROPOSAL TO SUSPEND INTERVENTION BUYING OF NFDM AND IRISH ARE PLEASED THIS DECISION HAS BEEN POSTPONED.

7. IRELAND WILL RECEIVE \$38 MILLION FROM EC GRANTS FOR ARTERIAL DRAINAGE IN THE DISADVANTAGED WEST OF IRELAND. OF MORE SYMBOLIC IMPORTANCE (AND WHICH RECEIVED MORE PUBLICITY) IS THE EC'S PROPOSAL TO GRANT ABOUT \$10 MILLION FOR JOINT ARTERIAL DRAINAGE SCHEMES BETWEEN NORTHERN IRELAND AND THE REPUBLIC. SHANNON

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